



City of Seattle
Office of Housing

TO: Councilmember Nick Licata, Chair, Housing, Human Service, Health, & Culture Committee
Councilmember Sally Bagshaw
Councilmember Bruce Harrell

FROM: Rick Hooper, Director

DATE: September 6, 2013

SUBJECT: Seattle Housing Levy Administrative & Financial Plan and Housing Funding Policies

The 2009 Housing Levy provides \$145 million over seven years to provide affordable housing for low-income families and individuals in Seattle. The Levy ordinance requires the Office of Housing (OH) submit an Administrative and Financial Plan (A & F Plan), containing policies governing the administration of levy programs, every other year for review and approval by Council. Proposed A & F Plan amendments are developed with input from the Housing Levy Oversight Committee and other community members.

Legislation adopting the A & F Plan for Program Years 2014 – 2016 will be before the Committee on September 11th. We briefed you on the proposed policy changes at the July 11th Committee meeting. This memo summarizes the proposed changes.

The 2009 Housing Levy reached a significant milestone this year with the completion of the Acquisition & Opportunity Loan (A&O Loan) program. A&O Loans provided short-term financing for strategic acquisition of properties during the downturn in our economy. The program was not separately funded, rather it used other Levy funds not yet needed for projects. The program has now exceeded its production goal, acquisition projects are proceeding with development, and short-term loans are being repaid and reused as permanent financing. Policies governing future short-term lending were moved to the Rental Housing and Homeownership programs.

The A & F Plan legislation also proposes a change in the Plan structure. Detailed Levy program guidelines are now contained in OH's Housing Funding Policies, an appendix to the A & F Plan. The Housing Funding Policies will govern a range of fund sources used by OH, improving consistency and accessibility. The Funding Policies will contain policies previously located in the

Seattle Consolidated Plan for Housing and Community Development that are City policies only; HUD-mandated policies are still in the Consolidated Plan in its new web-based format.

The specific policy changes are as follows:

1. *Rental Housing Objectives and Priorities.* The Plan retains long-time Levy priorities to serve seniors, people with disabilities, people who are homeless, and low-wage individuals and families. Homeless housing priorities are updated to reflect recent Committee to End Homelessness activities. Priority will be given for projects that serve residents with significant barriers to housing, including criminal records. Priority for project locations will continue to emphasize neighborhood revitalization, anti-displacement, and access to transit, and OH will also evaluate access to opportunities such as jobs, services and education.
2. *Development Siting Policy.* This policy applies to projects that will serve extremely low income households, below 30% of median income. Projects are not approved if more than 20% of the total housing units in the area (defined as Census block group) will serve extremely low income households, unless the project is located in an exempt area. The policy changes will (1) allow an early determination of compliance, so sponsors can proceed with project planning and (2) remove an exception to the policy's 20% limit (based on neighborhood support) that is difficult to implement and has never been used.
3. *Eligible Borrowers.* Changes to the policy emphasize the applicant's capacity to develop, own and operate rental housing for 50 years or more. Affordable housing must be part of the organization's mission, stated in bylaws or other organizational documents. OH will continue to encourage partnerships to strengthen applicant capacity and to retain access to Levy rental housing funds for community-based providers.
4. *Bridge Loans for Rental Housing.* OH has provided short-term bridge financing for many years using available funds from the Operating & Maintenance Program fund balances. In the 2009 Levy, bridge lending was expanded through the A&O Loan program. With the completion of that program, policies governing bridge lending have been retained, and loans up to \$5 million at any one time (the limit in effect prior to A&O Loans) are authorized using available funds from the current and prior levies. In addition, up to \$3 million in one-time bridge lending is authorized for Community Cornerstones Equitable TOD loans, using Levy and HUD funding awarded last year. Minor policy changes are proposed, including: allowance for a blended interest rate when other acquisition fund sources are used, requirement to record covenants at the time of bridge loans, and requirements for extending the term of a bridge loan.
5. *Supplemental Funding.* Levy policies currently allow funding for capital improvements to rental housing previously funded by the City. The proposed changes expand policy guidance for this type of project. Priority will be given to projects that are nearing the

end of their City loan term, leverage significant funding, extend the useful life of the building, and/or improve operational and energy efficiency. The owner must be in good standing on all OH loans, maintaining the building's condition and required reserves. The proposed policies establish specific application requirements, construction requirements and loan terms that are tailored to projects already operating as low-income housing.

6. *Homeownership.* The revised homeownership policies combine current Levy and HOME/CDBG policies into a single set of program guidelines. Program objectives are updated to reflect the benefits of diverse neighborhoods and reduced commute times when buyers purchase in Seattle. Policies for site acquisition and development are expanded, incorporating former A&O Loan policies; projects receiving these loans must provide long-term affordability via resale restrictions.

Staff from OH will be at the Committee discussion to answer questions about these proposed changes. Please let me know if you have questions in the meantime.

cc: Traci Ratzliff, Council Central Staff
Darryl Smith, Deputy Mayor
Jeanette Blankenship, City Budget Office